

DOCKET SECTION

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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

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WASHINGTON, DC 20268-0001

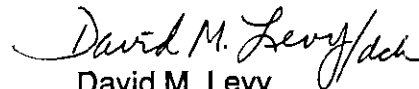
Docket No. R97-1

Postal Rate And Fee Changes, 1997

**RESPONSES OF ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO INTERROGATORIES USPS/ANM-T1-20 THROUGH -22  
AND USPS/ANM-T1-24 THROUGH -29**

The Alliance of Nonprofit Mailers hereby provides the responses of its witness, John Haldi, to interrogatories USPS/ANM-T1-20 through -22 and USPS/ANM-T1-24 through -29. Each interrogatory is stated verbatim and followed by its response.

Respectfully submitted,



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February 10, 1998

**RESPONSE OF THE ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/ANM-T1-20. Please state any and all reasons why a mailing paid at commercial rates would be permitted to be entered into the mailstream bearing "nonprofit evidencing of postage."

**RESPONSE**

It is my understanding that for many years the Postal Service has permitted nonprofit organizations to use their nonprofit permit for Standard Mail (A) to enter a mailing at Standard A (formerly third-class) commercial rates if the organization so desired. When a nonprofit organization opts to pay the full commercial rate, acceptance clerks apparently do not object to the use of envelope stock (or meters or stamps) that indicate nonprofit evidencing of postage. The responses to the survey summarized in my Exhibit 1 (revised 2/9/98, and attached to USPS/ANM-T1-35) certainly indicate that many nonprofit organizations in fact have entered at commercial rates Standard Mail (A) with nonprofit evidencing of postage. Beyond documenting that the practice exists and is widespread, the Postal Service is the proper party to explain why it permits the practice to occur.

**RESPONSE OF THE ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/ANM-T1-21. Please specify which "accounting records" collect Standard (A) revenue data and aggregate mail processing costs, as you indicate on page 34 of your testimony, and describe in detail your understanding of how this is done.

**RESPONSE**

These are questions which ANM has been asking the Postal Service, with limited success. Doesn't the Postal Service know where and how it accounts for revenues and costs from Standard (A) mail?

**Revenue data.** It is my understanding that the Postal Service maintains separate revenue accounts for commercial rate and nonprofit Standard A mail. However, I do not have available a separate chart of Postal Service revenue accounts, hence I am unable to provide further detail. It is my understanding that the PERMIT system systematically records revenue and volume data from 3602s, but that such data are not complete and need to be reconciled with CRA data.

**Mail processing costs.** The reference to aggregate mail processing costs is to the costs collected for all the separate accounts maintained within Cost Segment 3 and reported in the CRA.

**RESPONSE OF THE ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/ANM-T1-22. At page 37, footnote 19 of your testimony, you indicate that the Office of Inspector General's Semiannual Report to Congress, FY 1997, Volume 1, "cites 79 Revenue Investigations against nonprofit organizations during the six-month period October 1, 1996 to March 31, 1997." Please confirm that you determined this figure by summing the listing of Revenue Investigations which indicated they were related to Nonprofit mailings, from pages 50-53 of the Semiannual Report. If you do not confirm, please explain fully.

**RESPONSE**

Confirmed. These figures were also confirmed by the response from H.J.

Bauman in the Office of the Chief Inspector in a June 1997 Freedom of Information Act Request from the Alliance of Nonprofit Mailers (see FOIA 409-97).

**RESPONSE OF THE ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/ANM-T1-24. Please explain the source of each volume figure shown on page 42, lines 11-19 of your testimony, including citations and/or calculations used to arrive at each number. For all estimates that you derive from sample data, please provide 95 percent confidence intervals.

**RESPONSE**

1. The 1992 and 1996 volumes (11,999 and 12,209, respectively) are from LR-H-187, Section A, page 7.
2. The growth in volume, 210 (million), is the difference between 12,209 and 11,999.
3. As explained on page 42, the total growth in volume of nonprofit bulk mail between 1992-1996 is estimated at a 3.5 percent annual compound rate. Over four years, 3.5 percent compounds to 1.147523. This figure, times the 1992 volume of 11,999 (million) pieces, equals the 13,769 (million) pieces shown in the last row as "total volume."
4. The mail entered at commercial rates, 1,040 (million) and 520 (million) pieces, combined, is the difference between the 1996 volume in LR-H-187 (12,209 million pieces), and my estimate of total volume of mail entered by nonprofit organizations (13,769 million pieces). The two-third/one-third split is a conservative estimate based on my Exhibit 1.

**RESPONSE OF THE ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/ANM-T1-25. Please refer to page 42, lines 20-21 of your testimony. Please show how the 3.5 percent annual compound rate of growth in volume of nonprofit bulk mail was calculated or derived.

**RESPONSE**

See my testimony, page 41, lines 18-22.

$$\frac{11,999}{7,964} = 1.50666$$

$$(1.034)^{12} = 1.49363$$

$$(1.035)^{12} = 1.51106$$

$$(1.036)^{12} = 1.52867$$

**RESPONSE OF THE ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/ANM-T1-26. Please refer to Exhibit 1-ANM-T1 of your testimony, where you summarize the results of a survey conducted by ANM under your supervision. For each responding organization that mailed Standard A regular rate mail with a nonprofit indicia, please provide:

- (a) the name of the organization;
- (b) the organization's address;
- (c) the number of pieces entered at regular rates with nonprofit indicia; and
- (d) the name of the Postal facility(ies) where the mailing (s) were entered.

**RESPONSE**

- (a) Objection filed.
- (b) Objection filed.
- (c) Any responsive information possessed by ANM appears in Exhibit ANM-T1-1 (revised 2/9/98), filed today under separate cover.
- (d) ANM does not possess this information.

**RESPONSE OF THE ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO UNITED STATES POSTAL SERVICE INTERROGATORIES**

USPS/ANM-T1-27. Please refer to page 43, lines 1-2 of your testimony, where you "estimate that at least two-thirds [of nonprofit bulk mail paying regular rates] had nonprofit evidencing of postage paid." Please provide a complete derivation for this estimate. If you derive this estimate from sample data, please provide 95 percent confidence intervals for the estimate.

**RESPONSE**

The estimate is based on the data in my Exhibit ANM-T-1, and includes mail that was originally entered at nonprofit rates (with nonprofit evidencing of postage) and retroactively assessed the difference between nonprofit and commercial postage. The data in my original Exhibit ANM-T-1 were as follows:

	<i>Volume (pieces)</i>	<i>Dist. (%)</i>
Entered with commercial evidencing	1,032,099	10.4%
Entered with nonprofit evidencing:		
Originally entered at commercial rates	586,652	5.9
Retroactive assessment	<u>8,329,878</u>	<u>83.7</u>
Total	9,948,629	100.0%

From these data I conservatively estimated that two-thirds of the growth in volume which was entered at commercial rates had nonprofit evidencing.



**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS  
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE  
USPS/ANM-T1-27 (continued)**

The data from my revised Exhibit 1 are as follows:

	<i>Volume (pieces)</i>	<i>Dist. (%)</i>
Entered with commercial evidencing	1,953,465	15.3%
Entered with nonprofit evidencing		
Originally entered at nonprofit rates	1,655,730	12.9
Retroactive assessment	<u>9,197,178</u>	<u>71.8</u>
Total	12,806,373	100.0%

On the basis of the above revised data, I continue to regard two-thirds as a conservative estimate. It was my hope that by this time the Postal Service would have provided more data and information on this issue.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-28. Please confirm that, according to the ANM survey conducted under your supervision, almost two-thirds of the pieces of bulk nonprofit mail entered at commercial rates had "regular rate evidencing of postage paid", i.e.  $1,032,099/(1,032,099+586,652)$ . If you do not confirm, please explain fully.

**RESPONSE**

Confirmed for the data in my Exhibit 1 as originally filed.

The updated data from my Exhibit 1 (revised 2/9/98) indicate that approximately 54 percent of all pieces of bulk nonprofit entered at commercial rates had regular rate evidencing of postage paid.

$(1,953,463)/(1,953,463 + 1,655,730)$

The data also indicate that 31 organizations paid commercial rates and used regular rate evidencing, while 49 organizations paid commercial rates but used nonprofit evidencing. In other words, about two-fifths of all nonprofit organizations that paid commercial rates (at the time the mail was entered) used commercial evidencing.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS  
WITNESS JOHN HALDI  
TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

USPS/ANM-T1-29. Regarding Exhibit 1 to your testimony, which describes the survey you conducted of nonprofit mailers:

- (a) You indicate that you cannot determine how many nonprofit organizations actually received the survey. Please provide the number of surveys that were initially faxed, e-mailed and mailed.
- (b) How many of the surveys were mailed to "umbrella" nonprofit organizations?"
- (c) How many of the surveys were originally returned incomplete?
- (d) Were any of the survey questions more likely than others to be left incomplete? Please explain fully.
- (e) When survey forms were returned incomplete, please describe fully the procedures you used to supplement the responses.
- (f) Did you or ANM contact non-respondents? Which ones? Please explain fully your procedures for doing so.
- (g) How many more responses have you received since your testimony was completed?

**RESPONSE**

- (a) Approximately 700 surveys were initially sent to nonprofit organizations.
- (b) Many of the surveys were sent to "umbrella" organizations which themselves mail little or no preferred rate mail. Some of those organizations, however, solicited their membership to assist in compiling data for the survey.

**RESPONSE OF ALLIANCE OF NONPROFIT MAILERS  
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TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE**

(c) Incomplete surveys were not included in my Exhibit.

(d) Most incomplete surveys were generally submitted by nonprofit executives who received the survey questions but have no knowledge of the mailing operations of the nonprofit organization. Those returned surveys usually included the notation "I don't know the answers to these questions" or other words to the same effect.

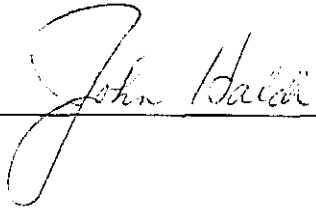
(e) See answer to (c) above.

(f) No.

(g) See the updated version of Exhibit ANM-T1-1 (Feb. 9, 1998), filed separately today.

DECLARATION

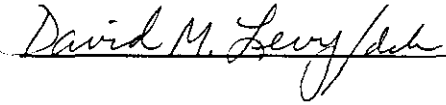
I, John Haldi, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

  
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Dated: February 10, 1998

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
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February 10, 1998